



Fiscal Year 2003 Reduction Strategy

February 19, 2003

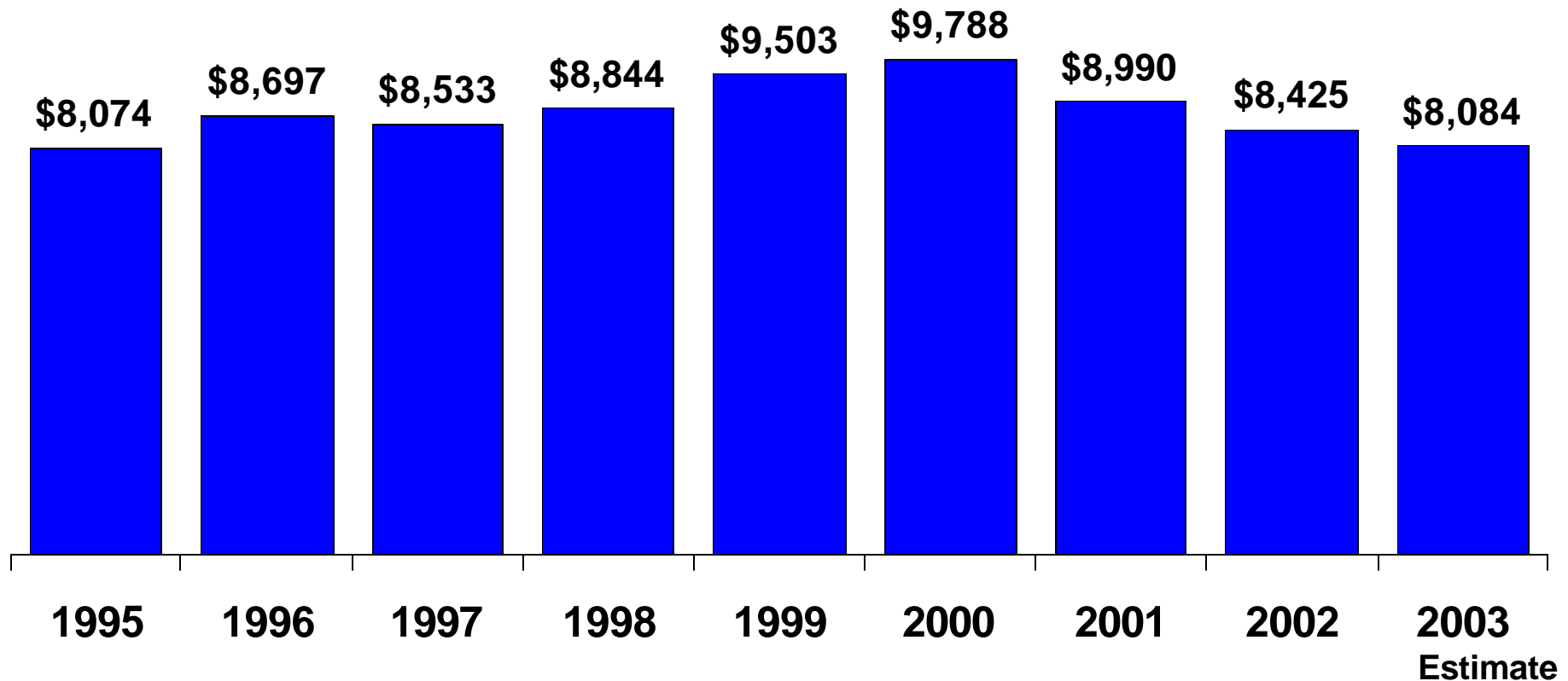
“The governor, with the approval of the appropriation committees of the house and senate, shall reduce expenditures authorized by appropriations whenever it appears that actual revenues for a fiscal period will fall below the the revenue estimates on which appropriations for that period were based.”

- Art. V, Sec. 20, Michigan Constitution

GF-GP Net Revenue

2003 Revenues at 1995 Levels

(Down \$142.6 Million Since November 2002)



Source: Office of Revenue and Tax Analysis, Totals exclude transfers.

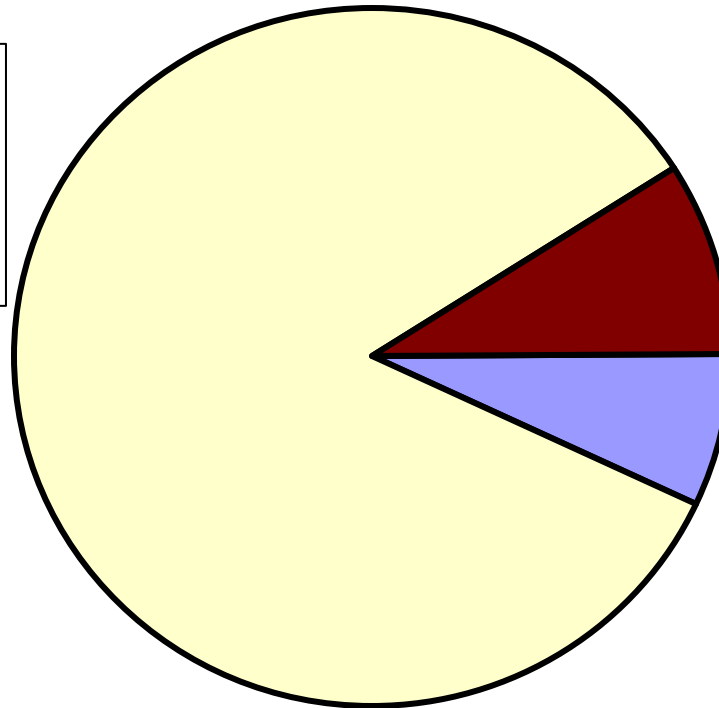
FY 2003 figure is January 2003 Consensus estimate.

Executive Order 2003-3 and Related Actions

Expenditure Reductions*

84%

State Agency Reductions	\$76.2 m
Higher Education	\$30.3 m
Grants	\$10.4 m
Life Sciences	\$12.5 m
Legislative Reductions	\$ 2.1 m
Judiciary Reductions	\$ 1.1 m



Medicaid Financing

9%

Physician Special	
Adjustor Payment	\$4.9 m
Hospital Assessment	\$8.9 m

Bond for Final Midfield Terminal Payment

7%

Comprehensive Transportation	
Fund Bonds	\$12 m

* Adoption of proposed contingency transfers will offset general fund reductions by \$25.5 m

Fiscal Year 2003

GF/GP Budget Changes To Date

	Executive Order 2002-22	Executive Order 2003-3	Total FY03 Reductions
Higher Education	-2.0%	-1.5%	-3.5%
Revenue Sharing	-3.5%	No Change	-3.5%
State Agencies*	-2.8%	-1.4%	-4.2%
State Agencies* without Corrections	-3.5%	-1.8%	-5.3%

*Adjusted for supplementals: School Breakfast, Agriculture Loan Program,
Senior Citizen Cooperative Housing and Renaissance Zone Reimbursement

Fiscal Year 2003 Budget Changes To Date

***General Fund appropriations down \$405 million (4.4%)
since October 1***

Original Enacted General Fund Budget	\$9,196.7 m
Current Law (after Executive Order 2002-22)	\$8,925.4 m
Executive Order 2003-3 and related actions	- <u>\$ 133.6 m</u>
New General Fund Budget	\$8,791.8 m

Actions Needed

- Approval of Executive Order
2003-3 Will Reduce
Spending by \$141.4 million
- Adoption of Recommended
Supplemental Will Reduce
Spending by \$ 8.1 million
- Approval of Contingency
Transfers Will Partially
Offset Reductions \$ 25.5 million

Critical Programs are Protected

We are not cutting anyone off Medicaid.

We are not eliminating any Medicaid covered services.

We are not cutting Medicaid payment rates to hospitals, HMOs, nursing homes or physicians.

We are not cutting Medicaid mental health services, nor are we cutting mental health formula funding to local CMH providers.

We are not cutting revenue sharing to local units of government.

Critical Programs are Protected (Cont.)

We are not cutting benefits for needy families and disabled adults on welfare.

We are not cutting day care benefits.

We are not cutting welfare-to-work programs.

We are not cutting foster parent rates, nor are we cutting payments for child caring agencies.

We are not cutting local public health operations funding.

We are not cutting services to our veterans.

We are not cutting environmental protection programs.